

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chairman*

JOSEPH E. CONNARTON, *Executive Director*

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MEMORANDUM

TO: Bristol County Retirement Board

FROM: Joseph E. Connarton, Executive Director

RE: Approval of Funding Schedule

DATE: October 26, 2016

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on July 1 of each fiscal year (although the actuary also provided an allocation by governmental units assuming equal payments are made on July 1 and January 1). The schedule is effective in FY17 (since the amount under the prior schedule was maintained in FY17) and is acceptable under Chapter 32.

The revised schedule reflects the reduction of the investment return assumption from 8.0% to 7.75% and the adoption of a fully generational mortality assumption. The schedule also reflects the adoption of other demographic assumptions based on a recent experience study performed by your actuary. Although the revised assumptions are less conservative than the current standard PERAC assumptions, which we continue to believe are reasonable, we have not performed a recent experience analysis for local systems to compare our findings with the results of your study.

As we mentioned in our two prior approval letters, we still have concerns about the salary increase assumption. This valuation used a select and ultimate assumption based on service, with a rate of 3.0% for members with 5-7 years of service, and an ultimate rate of 2.5% for members with 8 and more years of service. The prior assumption was 3.0% per year. We expect that over the long term this assumption will need to be increased (or the investment return assumption further decreased) which will increase plan liabilities. Page 3 of the report notes there was a loss of \$5.2 million due to salary increases. In other words, the plan's actuarial liability was greater than expected based on the difference between actual and assumed salaries. There also was a loss with respect to salary



increases in the 2014 valuation. We would have recommended a higher salary increase assumption if we had performed the valuation, as our standard salary increase assumption is greater than that used in your valuation and reflects our estimate of a long term assumption. However, note that as part of our review, we did not analyze the member census data used in the valuation.

If you have any questions, please contact PERAC's Actuary, Jim Lamenzo, at (617) 666-4446, extension 921.

Enc.

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Appropriation Forecast

Fiscal Year		Employee	Employer	Amortization	Employer	Employer	
		Employee	Normal Cost	Payments	Total Cost	Total Cost	Funded
Ending	Payroll*	Contribution	with Interest	with Interest	with Interest	% of Payroll	Ratio %**
2017	\$152,406,793	\$13,225,260	\$3,922,922	\$32,027,164	\$35,950,086	23.6	65.7
2018	\$158,503,065	\$13,874,627	\$3,954,906	\$33,695,139	\$37,650,045	23.8	68.3
2019	\$164,843,187	\$14,554,782	\$3,983,172	\$35,190,453	\$39,173,625	23.8	70.9
2020	\$171,436,915	\$15,267,151	\$4,007,371	\$36,753,056	\$40,760,427	23.8	73.6
2021	\$178,294,391	\$16,013,222	\$4,027,133	\$38,385,977	\$42,413,110	23.8	76.3
2022	\$185,426,167	\$16,794,550	\$4,042,064	\$40,092,379	\$44,134,443	23.8	79.1
2023	\$192,843,214	\$17,612,764	\$4,051,746	\$41,409,636	\$45,461,382	23.6	81.9
2024	\$200,556,942	\$18,469,564	\$4,055,736	\$42,200,652	\$46,256,388	23.1	84.8
2025	\$208,579,220	\$19,366,727	\$4,053,562	\$44,099,681	\$48,153,243	23.1	87.7
2026	\$216,922,389	\$20,306,112	\$4,044,725	\$46,084,167	\$50,128,892	23.1	90.6
2027	\$225,599,284	\$21,289,661	\$4,028,695	\$48,157,954	\$52,186,649	23.1	93.7
2028	\$234,623,256	\$22,319,404	\$4,004,912	\$50,325,062	\$54,329,974	23.2	96.8
2029	\$244,008,186	\$23,397,463	\$3,972,779	\$0	\$3,972,779	1.6	100.0
2030	\$253,768,513	\$24,526,056	\$3,931,669	\$0	\$3,931,669	1.5	100.0
2031	\$263,919,254	\$25,707,501	\$3,880,912	\$0	\$3,880,912	1.5	100.0
2032	\$274,476,024	\$26,944,219	\$3,819,805	\$0	\$3,819,805	1.4	100.0
2033	\$285,455,065	\$28,238,743	\$3,747,600	\$0	\$3,747,600	1.3	100.0
2034	\$296,873,268	\$29,593,717	\$3,663,507	\$0	\$3,663,507	1.2	100.0
2035	\$308,748,198	\$31,011,908	\$3,566,690	\$0	\$3,566,690	1.2	100.0
2036	\$321,098,126	\$32,496,204	\$3,456,266	\$0	\$3,456,266	1.1	100.0
2037	\$333,942,051	\$34,049,625	\$3,331,301	\$0	\$3,331,301	1.0	100.0
2038	\$347,299,733	\$35,675,326	\$3,190,810	\$0	\$3,190,810	0.9	100.0
2039	\$361,191,723	\$37,376,603	\$3,033,748	\$0	\$3,033,748	0.8	100.0
2040	\$375,639,392	\$39,156,901	\$2,859,017	\$0	\$2,859,017	0.8	100.0
2041	\$390,664,967	\$41,019,822	\$2,665,453	\$0	\$2,665,453	0.7	100.0
2042	\$406,291,566	\$42,660,614	\$2,772,071	\$0	\$2,772,071	0.7	100.0
2043	\$422,543,229	\$44,367,039	\$2,882,954	\$0	\$2,882,954	0.7	100.0
2044	\$439,444,958	\$46,141,721	\$2,998,272	\$0	\$2,998,272	0.7	100.0
2045	\$457,022,756	\$47,987,389	\$3,118,203	\$0	\$3,118,203	0.7	100.0
2046	\$475,303,666	\$49,906,885	\$3,242,931	\$0	\$3,242,931	0.7	100.0
2047	\$494,315,813	\$51,903,160	\$3,372,649	\$0	\$3,372,649	0.7	100.0
2048	\$514,088,445	\$53,979,287	\$3,507,555	\$0	\$3,507,555	0.7	100.0

* Calendar basis

** Beginning of Fiscal Year